

ILLINOIS TELECOMMUNICATIONS ACCESS CORPORATION  
SCHEDULE A-1  
Calculation of Monthly Line Charge

LINE (A)	DESCRIPTION (B)	Amount (C)
1	Projection Period Revenues (Over)/Under Expenses At Present Line Charge, As Adjusted (a)	2,864,971
2	Prior Calendar Year Actual Revenues (Over)/Under Expenses (b)	510,821
3	Adjustment to Projected Cash Balance (c)	(195,259)
4	Subtotal	3,180,533
5	End-of-Period Projected Subscriber Lines	7,859,025
6	Annual Revenue Adjustment per Subscriber Line (Line 4 Divided by Line 5 - Rounded to 4 Decimal Places)	0.4047
7	Increase (Decrease) in Monthly Line Charge for Projection Period (Line 6 Divided by 12 Months--Rounded to 4 Decimal Places)	0.0337
8	Add: Present Line Charge	0.06
9	Subtotal (Line 7 Plus Line 8)	0.0937
10	Proposed Monthly Line Charge (Line 9 Rounded to Next Higher Cent)	0.10
(a)	Amount from line 17, Column E, Schedule A-3	
(b)	Amount from line 17, Column D, Schedule A-4	
(c)	Amount from line 6 or 11, Column D, Schedule A-5	

ILLINOIS TELECOMMUNICATIONS ACCESS CORPORATION  
SCHEDULE A-2  
Comparison of Present and Proposed Line Charges

LINE (A)	DESCRIPTION (B)	Projection Period 2000 As Adjusted At Present Line Charge (C)	Projection Period 2000 As Adjusted At Proposed Line Charge (D)	Difference (Column D- Column C) (E)	Percentage Change (Column E/ Column C) (F)
1	Number of Subscriber Lines Excluding Centrex	7,767,092	7,767,092	0	0.0%
2	Number of Centrex Lines	919,331	919,331	0	0.0%
3	Subscriber Line Charge Excluding Centrex	5,547,648	9,246,077	3,698,429	66.7%
4	Centrex Line Charge	65,664	109,439	43,775	66.7%
5	Subtotal	5,613,312	9,355,516	3,742,204	66.7%
6	Investment Income	80,090	154,934	74,844	93.4%
7	Telecommunications Relay Service	50,000	50,000	0	0.0%
8	Other	10,808	10,808	0	0.0%
9	Total Revenues	5,754,210	9,571,258	3,817,048	66.3%
10	Expenses	8,619,181	8,619,181	0	0.0%
11	Revenues Over/(Under) Expenses	(2,864,971)	952,077		

## ILLINOIS TELECOMMUNICATIONS ACCESS CORPORATION

## SCHEDULE A-3

Projection Period Statement of Revenues and Expenses at Present Line Charge, As Adjusted

LINE (A)	DESCRIPTION (B)	Projection Period Ending Dec. 31,2000 (C)	Adjustment to Annualize December Levels (D)	Total (E)
1	Revenues:			
2	Subscriber Line Charge	5,528,108	85,204	5,613,312
3	Investment Income	85,014	(4,924)	80,090
4	Telecommunications Relay Service	50,000	0	50,000
5	Other Income	10,808	0	10,808
6	TOTAL REVENUES	5,673,930	80,280	5,754,210
7	Expenses:			
8	Telecommunications Relay Service	6,968,998	201,105	7,170,103
9	Administration	540,255	7,190	547,445
10	Equipment Distribution and Maintenance	199,347	0	199,347
11	Legal	84,840	0	84,840
12	Accounting and Consulting	93,800	0	93,800
13	Depreciation	418,603	0	418,603
14	(Gain)/Loss on Property and Equipment Retirements	7,107	0	7,107
15	Other Expenses	97,936	0	97,936
16	TOTAL EXPENSES	8,410,886	208,295	8,619,181
17	REVENUE OVER/(UNDER) EXPENSES	(2,736,956)	(128,015)	(2,864,971)

ILLINOIS TELECOMMUNICATIONS ACCESS CORPORATION  
SCHEDULE A-4  
Prior Calendar Year Actual Revenues Over/(Under) Expenses

LINE (A)	DESCRIPTION (B)	Year Ended Dec. 31, 1999 (C)	Amount (D)
1	Revenues:		
2	Subscriber Line Charge	6,123,118	
3	Investment Income	172,262	
4	Telecommunications Relay Service	109,470	
5	Other Income	<u>7,127</u>	
6	TOTAL REVENUES		<u>6,411,977</u>
7	Expenses:		
8	Telecommunications Relay Service	5,473,634	
9	Administration	473,660	
10	Equipment Distribution and Maintenance	180,250	
11	Legal	226,975	
12	Accounting and Consulting	78,441	
13	Depreciation	427,363	
14	(Gain)/Loss on Property and Equipment Retirements	13,258	
15	Other Expenses	<u>49,217</u>	
16	TOTAL EXPENSES		<u>6,922,798</u>
17	REVENUE OVER/(UNDER) EXPENSES		<u><u>(510,821)</u></u>

ILLINOIS TELECOMMUNICATIONS ACCESS CORPORATION  
SCHEDULE A-5  
Schedule of Adjustment to Projected Cash Balance

LINE (A)	DESCRIPTION (B)	Amount (C)	Amount (D)
1	Projected Cash Balance at Proposed Line Charge Before Cash Adjustment (a)		<u>2,339,376</u>
2	One-Eighth of Projected Expenses, as Adjusted (Excluding Depreciation and Loss on Property & Equipment Retirements)	1,024,184	
3	Planned Capital Expenditures During Projection Period (b)	<u>95,749</u>	
4	Line 2 plus Line 3	<u>1,119,933</u>	
5	If Line 4 is greater than Line 1, enter amount from Line 4 here. If Line 4 is less than Line 1, go to Line 7.		<u>0</u>
6	Adjustment to Cash Balance (Line 5 minus Line 1) *If there is an entry on Line 5, stop here and enter amount from Line 6 on Line 3 of Schedule A-1.		<u>0</u>
7	One-Fourth of Projected Expenses, As Adjusted (Excluding Depreciation and Loss on Property & Equipment Retirements)	2,048,368	
8	Amount from Line 3	<u>95,749</u>	
9	Line 7 plus Line 8	<u>2,144,117</u>	
10	If Line 9 is less than Line 1, enter amount from Line 9 here. If Line 9 is greater than Line 1, there is no adjustment to cash balance.		<u>2,144,117</u>
11	Adjustment to Cash Balance (Line 10 minus Line 1) *If there is an entry on Line 10, enter amount from Line 11 on Line 3 of Schedule A-1.		<u>(195,259)</u>
(a)	Amount from Line 7, Column D, Schedule A-7.		
(b)	Amount from Line 25, Schedule A-6.		

## ILLINOIS TELECOMMUNICATIONS ACCESS CORPORATION

## SCHEDULE A-6

## Supporting Schedule of Planned Capital Expenditures During Projection Period

1	Amount of property and equipment purchased in prior calendar years to be paid in projection period:		
2	TTY Equipment	0	
3	Telebraille Equipment	0	
4	LVD Equipment	0	
5	Computer and Other Equipment	0	
6	Furniture and Fixtures	0	
7	VCO Equipment	0	
		<hr/>	
8	Subtotal		<hr/> 0
9	Add: Amount of projected property and equipment purchases:		
10	TTY Equipment	0	
11	Telebraille Equipment	32,500	
12	LVD Equipment	57,160	
13	Computer and Other Equipment	6,089	
14	Furniture and Fixtures	0	
15	Computer Software	0	
		<hr/>	
16	Subtotal (a)		<hr/> 95,749
17	Less: Amount of projected property and equipment purchases to be paid in years following projection period:		
18	TTY Equipment		
19	Telebraille Equipment	0	
20	LVD Equipment	0	
21	Computer and Other Equipment	0	
22	Furniture and Fixtures	0	
23	VCO Equipment	0	
		<hr/>	
24	Subtotal		<hr/> 0
25	Total Planned Capital Expenditures During Projection Period		<hr/> <hr/> 95,749

(a) Amount from Line 8, Column D, Schedule A-9

## ILLINOIS TELECOMMUNICATIONS ACCESS CORPORATION

## SCHEDULE A-7

## Schedule of Projected Increase to Cash Under Proposed Line Charge Before Cash Adjustment

LINE (A)	DESCRIPTION (B)	Amount (C)	Amount (D)
1	Projected Cash Balance at Present Rates, as Adjusted		651,480
2	Projected Increase to Cash Balance at Proposed Line Charge Before Cash Adjustment Calculation		
3	Projection Period Revenues (Over)/Under Expenses at Present Line Charge, as Adjusted (a)	2,864,971	
4	Prior Period Actual Revenues (Over)/Under Expenses (b)	510,821	
5	Subtotal (Line 3 plus Line 4)	3,375,792	
6	Projected Increase/(Decrease) to Cash Under Proposed Line Charge Before Cash Adjustment (One-Half of Line 5)		1,687,896
7	Projected Cash Balance at Proposed Line Charge Before Cash Adjustment (Line 1 plus Line 6)		2,339,376
(a)	Amount from Line 17, Column E, Schedule A-3		
(b)	Amount from Line 17, Column D, Schedule A-4		

ILLINOIS TELECOMMUNICATIONS ACCESS CORPORATION  
SCHEDULE A-8  
Call Volumes and Subscriber Lines

LINE (A)	Month (B)	Telecommunications Relay Service Call Volume			Subscriber Lines		
		Actual Prior Cal. Yr. (C)	Proj. Period (D)	Diff. Col. D-Col. C (E)	Actual Prior Cal. Yr. (F)	Proj. Period (G)	Diff. Col. G-Col. F (H)
1	Jan.	149,754	136,881	-12,873	7,421,703		
2	Feb.	128,023	139,156	11,133	7,446,997		
3	Mar.	147,412	154,519	7,107	7,494,884		
4	Apr.	139,051	145,850	6,799	7,513,844		
5	May	137,230	143,962	6,732	7,527,361		
6	June	144,295	151,287	6,992	7,533,264		
7	July	143,440	150,400	6,960	7,552,987		
8	Aug.	145,804	152,851	7,047	7,571,144		
9	Sept.	139,498	146,313	6,815	7,593,626		
10	Oct.	143,666	150,635	6,969	7,623,408		
11	Nov.	135,158	141,813	6,655	7,594,301		
12	Dec.	<u>140,846</u>	<u>147,711</u>	<u>6,865</u>	<u>7,600,325</u>	<u>7,859,025</u>	<u>258,700</u>
13	Total	<u>1,694,177</u>	<u>1,761,378</u>	<u>67,201</u>			



## ILLINOIS TELECOMMUNICATIONS ACCESS CORPORATION

## SCHEDULE A-9

## Depreciation Schedule

LINE (A)	DESCRIPTION (B)	Actual Prior Cal. Yr. 12/31/99	Proj. Period 2000	Proj. Period 2000	Proj. Period 12/31/00	Average Useful Life (G)	Proj. Period Depreciation Expense (H)
		Prop. & Equipment, At Cost (C)	Additions (D)	Retirements (E)	Prop. & Equipment At Cost (F)		
1	Computer and Other Equipment	37,195	6,089	(5,236)	38,048	3	9,326
2	Computer Software	10,968	0	0	10,968	3	2,303
3	Furniture and Fixtures	50,121	0	0	50,121	7	6,180
4	TTY Equipment	3,267,312	0	(155,316)	3,111,996	5	375,511
5	Telebraille Equipment	164,364	32,500	(16,018)	180,846	5	17,458
6	Large Visual Display Equipment	35,274	57,160	(3,555)	88,879	5	7,825
7	Other	0	0	0	0	0	0
8	Total	<u>3,565,234</u>	<u>95,749</u>	<u>(180,125)</u>	<u>3,480,858</u>		<u>418,603</u>
9	Reconciliation of Accumulated Depreciation						
10		12/31/99	Acc/Dep associated	2000	12/31/00		
11		Accumulated	with 1999	Depreciation	Accumulated		
12		Depreciation	Retirements	Expense	Depreciation		
13		<u>2,506,160</u>	<u>(173,018)</u>	<u>418,603</u>	<u>2,751,745</u>		

ILLINOIS TELECOMMUNICATIONS ACCESS CORPORATION  
SCHEDULE A-10  
Projected Payroll Expenses, As Adjusted

LINE (A)	DESCRIPTION (B)	Year Ending Dec. 31, 2000 (C)	Amount (D)
1	Executive Wages	72,828	
2	Other Management Wages	176,522	
3	Non-Management Wages	<u>2,880</u>	
4	Sub-Total		<u>252,230</u>
5	Executive Benefits	7,744	
6	Other Management Benefits	35,648	
7	Non-Management Benefits	<u>0</u>	
8	Subtotal		<u>43,392</u>
9	Total Payroll Expenses		<u><u>295,622</u></u>

ILLINOIS TELECOMMUNICATIONS ACCESS CORPORATION

SCHEDULE A-11

Projected Line Charge Filing Expenses

LINE	DESCRIPTION	Year Ending
(A)	(B)	Dec. 31, 2000
		(C)
1	Legal	5,000
2	Accounting	36,800
3	Other	0
4	Other	0
5	Total	<u>41,800</u>

ILLINOIS TELECOMMUNICATIONS ACCESS CORPORATION  
SCHEDULE A-12

Comparative Actual and Projected Balance Sheets, At Proposed Line Charge, As Adjusted

LINE (A)	DESCRIPTION (B)	Actual Prior Calendar Year Ended Dec. 31, 1999 (C)	Projected Dec. 31, 2000 (D)
1	ASSETS		
2	Current Assets:		
3	Cash, Cash Equivalents and Other Cash Investments	3,488,023	4,148,394
4	Accounts Receivable	464,404	800,095
5	Interest Receivable	0	0
6	Prepaid Expenses	4,200	4,200
7	Other	0	0
8	Total Current Assets	3,956,627	4,952,689
9	Property and Equipment:		
10	Computer Equipment and Software	48,163	49,016
11	Furniture and Fixtures	50,121	50,121
12	TTY Equipment	3,267,312	3,111,996
13	Teletype Equipment	164,364	180,846
14	Large Visual Display Equipment	35,274	88,879
15	Less: Accumulated Depreciation	(2,506,160)	(2,751,745)
16	Property and Equipment, Net	1,059,074	729,113
17	Other	0	0
18	Total Assets	5,015,701	5,681,802
19	LIABILITIES AND FUND BALANCE		
20	Current Liabilities:		
21	Accounts Payable		
22	Telecommunications Relay Service	885,243	597,509
23	Other	135,929	137,687
24	Total Current Liabilities	1,021,172	735,196
25	Fund Balance:		
26	Beginning Balance	4,505,350	3,994,529
27	Revenues Over/(Under) Expenses	(510,821)	952,077
28	Ending Balance	3,994,529	4,946,606
29	Total Liabilities and Fund Balance	5,015,701	5,681,802

## ILLINOIS TELECOMMUNICATIONS ACCESS CORPORATION

## SCHEDULE A-13

Comparative Actual and Projected Statements of Revenues and Expenses at Proposed Line Charge, As Adjusted

LINE (A)	DESCRIPTION (B)	Actual Prior Calendar Year Dec. 31, 1999 (C)	Projected Dec. 31, 2000 (D)
1	Revenues:		
2	Subscriber Line Charge	6,123,118	9,355,516
3	Investment Income	172,262	154,934
4	Telecommunications Relay Service	109,470	50,000
5	Other Income	7,127	10,808
6	TOTAL REVENUES	6,411,977	9,571,258
7	Expenses:		
8	Telecommunications Relay Service	5,473,634	7,170,103
9	Administration	473,660	547,445
10	Equipment Distribution and Maintenance	180,250	199,347
11	Legal	226,975	84,840
12	Accounting and Consulting	78,441	93,800
13	Depreciation	427,363	418,603
14	(Gain)/Loss on Property and Equipment Retirements	13,258	7,107
15	Other Expenses	49,217	97,936
16	TOTAL EXPENSES	6,922,798	8,619,181
17	REVENUES OVER/ (UNDER) EXPENSES	(510,821)	952,077

# **Illinois Telecommunications Access Corporation**

**Financial Statements  
as of December 31, 1999 and 1998  
Together With Auditors' Report**



**ARTHUR ANDERSEN**

**REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS**

To Illinois Telecommunications Access Corporation:

We have audited the accompanying balance sheets of Illinois Telecommunications Access Corporation (an Illinois not-for-profit corporation) as of December 31, 1999 and 1998, and the related statements of revenues and expenses and cash flows for the years then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Illinois Telecommunications Access Corporation as of December 31, 1999 and 1998, and the results of its operations and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States.

*Arthur Andersen LLP*

Arthur Andersen LLP

Chicago, Illinois  
February 25, 2000

**ILLINOIS TELECOMMUNICATIONS ACCESS CORPORATION**

**BALANCE SHEETS**

<b>ASSETS</b>	<b>December 31,</b>	
	<b>1999</b>	<b>1998</b>
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents	\$3,488,023	\$5,255,007
Accounts receivable	464,404	607,929
Prepaid expenses	4,200	4,200
Total current assets	<u>3,956,627</u>	<u>5,867,136</u>
<b>PROPERTY AND EQUIPMENT:</b>		
TTY equipment	3,267,312	3,441,840
Telebraille equipment	164,364	126,924
LVD equipment	35,274	39,102
Computer equipment and software	48,163	78,077
Furniture and fixtures	50,121	44,177
	<u>3,565,234</u>	<u>3,730,120</u>
Less- Accumulated depreciation	<u>(2,506,160)</u>	<u>(2,289,591)</u>
Property and equipment, net	<u>1,059,074</u>	<u>1,440,529</u>
Total assets	<u><u>\$5,015,701</u></u>	<u><u>\$7,307,665</u></u>
<b>LIABILITIES AND FUND BALANCE</b>		
<b>CURRENT LIABILITIES:</b>		
Accounts payable-		
AT&T—telecommunications relay service	\$ 885,243	\$2,765,739
Other	135,929	36,576
Total current liabilities	<u>1,021,172</u>	<u>2,802,315</u>
<b>FUND BALANCE:</b>		
Beginning fund balance	4,505,350	4,178,063
Revenues over/(under) expenses	<u>(510,821)</u>	<u>327,287</u>
Ending fund balance	<u>3,994,529</u>	<u>4,505,350</u>
Total liabilities and fund balance	<u><u>\$5,015,701</u></u>	<u><u>\$7,307,665</u></u>

The accompanying notes to financial statements  
are an integral part of these statements.



**ILLINOIS TELECOMMUNICATIONS ACCESS CORPORATION**  
**STATEMENTS OF REVENUES AND EXPENSES**

	<b>Year Ended December 31,</b>	
	<b>1999</b>	<b>1998</b>
<b>REVENUES:</b>		
Subscriber line charge	\$6,123,118	\$6,941,630
Investment income	172,262	172,860
Telecommunications relay service	109,470	97,710
Other income	7,127	9,468
Total revenues	<u>6,411,977</u>	<u>7,221,668</u>
<b>EXPENSES:</b>		
Telecommunications relay service	5,473,634	5,582,678
Administration	473,660	458,213
Equipment distribution and maintenance	180,250	246,320
Legal	226,975	55,156
Depreciation	427,363	406,579
Accounting and consulting	78,441	63,825
Loss on property and equipment retirements	13,258	4,904
Other	49,217	76,706
Total expenses	<u>6,922,798</u>	<u>6,894,381</u>
<b>REVENUES OVER/(UNDER) EXPENSES</b>	<u><u>\$ (510,821)</u></u>	<u><u>\$ 327,287</u></u>

The accompanying notes to financial statements  
are an integral part of these statements.

**ILLINOIS TELECOMMUNICATIONS ACCESS CORPORATION**

**STATEMENTS OF CASH FLOWS**

	<b>Year Ended December 31,</b>	
	<b>1999</b>	<b>1998</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Revenues over/(under) expenses	<u>\$(510,821)</u>	<u>\$327,287</u>
Adjustments to reconcile revenues over/(under) expenses to net cash provided by (used in) operating activities-		
Loss on property and equipment retirements	13,258	4,904
Depreciation and amortization	427,363	406,579
Net effect on cash flows of changes in-		
Accounts receivable	143,525	(18,220)
Total accounts payable	<u>(1,781,143)</u>	<u>1,865,172</u>
Total adjustments	<u>(1,196,997)</u>	<u>2,258,435</u>
Net cash (used in) provided by operating activities	<u>(1,707,818)</u>	<u>2,585,722</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchase of equipment	<u>(59,166)</u>	<u>(768,285)</u>
Net cash used in investing activities	<u>(59,166)</u>	<u>(768,285)</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<u>(1,766,984)</u>	<u>1,817,437</u>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<u>5,255,007</u>	<u>3,437,570</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<u><u>\$3,488,023</u></u>	<u><u>\$ 5,255,007</u></u>

The accompanying notes to financial statements  
are an integral part of these statements.

## ILLINOIS TELECOMMUNICATIONS ACCESS CORPORATION

### NOTES TO FINANCIAL STATEMENTS

December 31, 1999 and 1998

Illinois Telecommunications Access Corporation ("ITAC") is an Illinois not-for-profit corporation established by the Illinois local exchange carriers ("LECs") in accordance with the approval of the Illinois Commerce Commission ("ICC") in Docket No. 85-0502. ITAC became operational in March, 1988, and its membership consists of all Illinois LECs. The purpose of ITAC is to distribute, at no charge, to qualified deaf, hard of hearing and voice-disabled Illinois residents teletypewriters ("TTYs") and telebraille devices for persons who are deaf-blind and voice-disabled-blind; and to provide telecommunications relay service whereby a hearing- or voice-disabled person with a TTY can communicate with a person who uses a standard telephone.

#### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

##### a. Subscriber Line Charge

In accordance with Section 13-703(c) of the Illinois Public Utilities Act (ILCS 5/18-703), and as ordered by the ICC, each facilities-based LEC is required to collect a monthly subscriber line charge to fund ITAC's operations. ITAC receives the subscriber line charge remittances from all member telephone companies on a monthly basis. Pursuant to a May 6, 1998, Order of the ICC, in Docket No. 98-0250, the monthly subscriber line charge was maintained at 8¢ per access line and 0.8¢ per centrex line as previously authorized in a May 7, 1997, Order of the ICC, in Docket 97-0154. A May 5, 1999, Order of the ICC, in Docket 99-0182, decreased the monthly subscriber line charge to 6¢ per access line and 0.6¢ per centrex line.

##### b. Property and Equipment

In accordance with an ICC order, ITAC capitalizes the cost of all TTYs, Large Visual Displays ("LVDs") and telebraille devices and depreciates such equipment on a straight-line basis (utilizing a half-year convention) over a five-year useful life. The cost of computer equipment, software and furniture and fixtures is also capitalized and depreciated on a straight-line basis (utilizing a half-year convention) over five-, three-, and seven- year lives, respectively.

##### c. Equipment Distribution and Maintenance Expense

ITAC manages distribution services through 18 regional centers located throughout Illinois. ITAC also has an agreement with CapiTel Communications to provide ITAC with TTY maintenance services. This agreement expires in January 2000. Payments made by ITAC for distribution, training and maintenance services associated with its TTYs are charged to equipment distribution and maintenance expense as incurred. As of December 31, 1999, 7,223 TTYs had been distributed by ITAC.

Pursuant to a Telebraille Device Training and Service Agreement dated March 18, 1991, as amended, Chicago Lighthouse for the Blind, an Illinois not-for-profit corporation, provides telebraille distribution and training services for ITAC. Payments made annually are charged to distribution expense as incurred.

**d. Retirement Benefits**

ITAC participates in a 401(k) defined contribution benefit plan at a contribution rate of 6%. The amount charged to 401(k) expense in 1999 and 1998 was \$15,397 and \$13,930, respectively.

**e. Cash and Cash Equivalents**

Under an agreement with the Mercantile Bank of Illinois ("Mercantile"), Mercantile invests cash in excess of ITAC's daily operating requirements into overnight repurchase commitments on behalf of ITAC. It is ITAC's policy to invest in investment grade securities such as U.S. Government and Agency Notes, Municipal Bonds (rated higher than A) or Commercial Paper (rated higher than A). At December 31, 1999 and 1998, the repurchase commitments are secured by Federal Home Loans and U.S. Treasury Notes. The interest rate earned by ITAC on these investments is determined by Mercantile and is based upon market conditions. Based on the overnight maturities of these investments, they have been deemed to be cash equivalents for purposes of the statement of cash flows. These investments are stated at cost, which approximates their fair value, because of their short-term maturity.

**f. Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**2. TELECOMMUNICATIONS RELAY SERVICE:**

Under the Illinois Telecommunications Relay Service Agreement ("TRS Agreement") approved by the ICC in December, 1994, AT&T Corporation ("AT&T") provides telecommunications relay services to ITAC at a specified cost per minute of use. The TRS Agreement terminates in February 2000. Under the TRS Agreement, ITAC incurred \$5,473,634 and \$5,582,678 of expenses for the years ended December 31, 1999 and 1998, respectively. In July 1998, to resolve a contract issue, AT&T offered, and ITAC accepted, a two cent per minute reduction in the cost charged by AT&T. This reduction was effective beginning with the July 1998 bill and will continue through the duration of the contract.

On August 31, 1999, ITAC entered into a new telecommunications relay services agreement with Sprint Communications Company. Effective February 1, 2000, Sprint will provide

telecommunications relay services to ITAC at a specified cost per minute of use through February 1, 2003.

**3. INCOME TAXES:**

ITAC has received a determination letter from the Internal Revenue Service that exempts ITAC from federal income tax under Section 501(c)(3) of the Internal Revenue Code.

**4. LEASE COMMITMENT:**

ITAC has entered into a lease for office space. Effective November 15, 1999, ITAC amended the terms of the lease to occupy additional office space. The terms of the lease require ITAC to pay the following over the course of the lease:

<u>Year</u>	<u>Amount</u>
2000	\$ 38,728
2001	39,505
2002	35,182

In 1999 and 1998 ITAC recognized \$31,867 and 30,016 for rent expense, respectively.

ILLINOIS TELECOMMUNICATIONS ACCESS CORPORATION  
PROJECTED BALANCE SHEET

ASSETS	December 31, 2000
<b>CURRENT ASSETS:</b>	
Cash and cash equivalents	762,736
Accounts receivable	479,961
Prepaid expenses	4,200
Total current assets	<u>1,246,897</u>
<b>PROPERTY AND EQUIPMENT:</b>	
TTY equipment	3,111,996
Telebraille equipment	180,846
LVD equipment	88,879
Computer equipment and software	49,016
Furniture and fixtures	50,121
	<u>3,480,858</u>
Less-accumulated depreciation	<u>(2,751,745)</u>
Property and equipment, net	<u>729,113</u>
Total assets	<u><u>1,976,010</u></u>
<b>LIABILITIES AND FUND BALANCE</b>	
<b>CURRENT LIABILITIES:</b>	
Accounts payable-	
Sprint- Telecommunications relay service	580,750
Other	137,687
Total current liabilities	<u>718,437</u>
<b>FUND BALANCE:</b>	
Beginning	3,994,529
Revenues over (under) expenses	<u>(2,736,956)</u>
Ending	<u>1,257,573</u>
Total liabilities and fund balance	<u><u>1,976,010</u></u>

The accompanying Summary of Significant Projection Assumptions and Accounting Policies is an integral part of this statement.

ILLINOIS TELECOMMUNICATIONS ACCESS CORPORATION  
PROJECTED STATEMENT OF REVENUES AND EXPENSES

	Year Ending December 31, 2000
<b>REVENUES:</b>	
Subscriber line charge	5,528,108
Investment income	85,014
Telecommunications relay service	50,000
Other income	10,808
Total revenues	<u>5,673,930</u>
<b>EXPENSES:</b>	
Telecommunications relay service	6,968,998
Administration	540,255
Equipment distribution and maintenance	199,347
Depreciation	418,603
Legal	84,840
Accounting and consulting	93,800
Loss on property and equipment retirements	7,107
Other	97,936
Total expenses	<u>8,410,886</u>
Revenues over (under) expenses	<u>(2,736,956)</u>

The accompanying Summary of Significant Projection Assumptions and Accounting Policies is an integral part of this statement.

ILLINOIS TELECOMMUNICATIONS ACCESS CORPORATION  
PROJECTED STATEMENT OF CASH FLOWS

Year Ending  
December 31,  
2000

CASH FLOWS FROM OPERATING ACTIVITIES:

Revenues over (under) expenses	(2,736,956)
Adjustments to reconcile revenues over (under) expenses to net cash provided by operating activities-	

Depreciation	418,603
Loss on property and equipment retirements	7,107
Increase in accounts receivable	(15,557)
Increase in prepaid expenses	0
Decrease in accounts payable	(302,735)

Net cash used in operating activities	(2,629,538)
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CASH FLOWS FROM INVESTING ACTIVITIES:

Purchase of equipment	(95,749)
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Net cash used in investing activities	(95,749)
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NET DECREASE IN CASH AND CASH EQUIVALENTS	(2,725,287)
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CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	3,488,023
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CASH AND CASH EQUIVALENTS AT END OF YEAR	762,736
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The accompanying Summary of Significant Projection Assumptions and Accounting Policies is an integral part of this statement.



**ILLINOIS TELECOMMUNICATIONS ACCESS CORPORATION****SUMMARY OF SIGNIFICANT PROJECTION ASSUMPTIONS  
AND ACCOUNTING POLICIES****Year Ending December 31, 2000****Basis for Presentation**

The financial projection for the year ending December 31, 2000, has been prepared and presented in accordance with the guidelines included in the Guide for Prospective Financial Information (1993) by the American Institute of Certified Public Accountants ("AICPA"). Accordingly, the financial projection contained herein presents, to the best of management's knowledge and belief at the time this projection was prepared, Illinois Telecommunications Access Corporation's ("ITAC") expected financial position, results of operations and cash flows for the projected period, assuming subscriber line charges under the May 5, 1999, Order of the Illinois Commerce Commission ("ICC"), in Docket No. 99-0182 ("May 1999 Order"), are in effect for 2000. Furthermore, the projection reflects ITAC's good faith judgment as of March 10, 2000, the date of this projection, of the expected conditions and ITAC's expected course of action. The assumptions disclosed herein are those that management believes are significant to the projection. There will usually be differences between the projected and actual results because events and circumstances frequently do not occur as expected and those differences may be material which would cause these projected results not to be achieved.

**1. Telephone Subscriber Lines**

Estimates of telephone subscriber lines reflect projections of subscriber line growth based on the historical average growth rate for the years 1997 through 1999.

**2. Subscriber Line Charge Revenues**

Estimates of subscriber line charge revenues are determined for residence and business access lines and for centrex lines using the appropriate monthly subscriber line charges established in the May 1999 Order.

**3. Investment Income Revenues**

Estimates of investment income revenues are based on an estimated return on short-term securities of 4.00% applied to the average cash and cash equivalents balance outstanding during the year.

**4. Telecommunications Relay Service Call Volumes**

Estimates of telecommunications relay service call volumes are based on the historical annual call volume growth rates experienced for telecommunications relay services in Illinois for the years 1998 and 1999, adjusted for the average declining growth rate

experienced over the same period. Based on these growth rates, call volumes in 2000 are projected to be 3.68% higher than actual call volumes for 1999.

5. Telecommunications Relay Service Revenues

Estimates of telecommunications relay service revenues are based on the amount that ITAC's new relay service provider has guaranteed to submit to ITAC during 2000.

6. Telecommunications Relay Service Expenses

Estimates of telecommunications relay service expenses reflect estimated minutes per call applied to anticipated call volumes and contracted cost per minute amounts. The estimated minutes per call are based on actual experience of ITAC's new relay service provider for January and February 2000.

7. Equipment Distribution and Maintenance Expenses

Estimates of equipment distribution and maintenance expense reflect:

- a. annual amounts expected to be paid to regional centers for equipment handling, training, distribution and program promotion efforts in accordance with ITAC's Teletypewriter ("TTY") Distribution Program.
- b. annual amounts expected to be paid for warehouse, inspection and repair services related to TTY, telebraille and LVD equipment.
- c. annual amounts for telebraille equipment distribution and training services expected to be provided during the period.

8. Administration Expenses

Estimates of administration expenses reflect (a) estimates of head counts and salary and benefits levels for ITAC management based on current salary and employee benefits programs and (b) other escalatory costs estimated to increase 1.7% per year.

9. Depreciation Expense

Estimates of depreciation expense are based on straight-line depreciation (utilizing a half-year convention) of the property and equipment estimated for the period.

10. Legal, Accounting and Consulting, and Other Expenses

Estimates of legal, accounting and consulting, and other expenses include anticipated expenses associated with the proceedings to establish the annual subscriber line charge and for work to be performed in conjunction with changes to the rules governing telecommunications access for the deaf in Illinois. Recurring, escalatory costs are estimated to increase at 1.7% per year.

## 11. Accounts Receivable

The estimate of accounts receivable reflects an approximate one-month lag in the collection of subscriber line charge revenues from the various Local Exchange Carriers.

## 12. Property and Equipment

The estimate of property and equipment is based on historical amounts and estimated additions and retirements for the period as follows:

- a. TTY Equipment--The estimate of December 31, 2000, TTY equipment represents 11,129 units based on the beginning of year balance of 11,689 units and estimated retirements during 2000 of 560 units.
- b. Telebraille Equipment--The estimate of December 31, 2000, telebraille equipment represents 25 units based on the beginning of year balance of 23 units and estimated additions and retirements during 2000 of 5 units and 3 units, respectively.
- c. LVD Equipment--The estimate of December 31, 2000, LVD equipment represents 217 units based on the beginning of year balance of 122 units and estimated additions and retirements during 2000 of 110 and 15 units, respectively.

## 13. Accumulated Depreciation

The estimate of accumulated depreciation is based on the beginning of year balance as adjusted by estimated depreciation expense and expected property and equipment retirements for the period.

## 14. Sprint-TRS Accounts Payable

The estimate of Sprint-TRS accounts payable reflects the anticipated telecommunications relay service billings for the last month of 2000 which are not expected to be paid by ITAC until after December 31, 2000.

## 15. Other Accounts Payable

The estimate of other accounts payable is based on:

- a. the recurring expenses not paid until after year-end included in the December 31, 1999, balance escalated at a rate of 1.7% and
- b. a one-month lag in the payment of projected equipment distribution and maintenance expenses.

## 16. Income Taxes

ITAC has received a determination letter from the Internal Revenue Service that exempts ITAC from federal income tax under Section 501(c)(3) of the Internal Revenue Code.

17. Accounting Policies

The accounting policies used in preparing the projection are the same as those used in ITAC's audited financial statements as of December 31, 1999, and for the year then ended.

**ARTHUR ANDERSEN****REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS**

To Illinois Telecommunications Access Corporation:

We have examined the accompanying projected balance sheet and statements of revenues and expenses and cash flows of ILLINOIS TELECOMMUNICATIONS ACCESS CORPORATION as of December 31, 2000, and for the year then ending. Our examination was made in accordance with standards for an examination of a projection established by the American Institute of Certified Public Accountants (AICPA) and, accordingly, included such procedures as we considered necessary to evaluate both the assumptions used by management and the preparation and presentation of the projection.

The accompanying projection and this report were prepared for Illinois Telecommunications Access Corporation for presentation to the Illinois Commerce Commission for its deliberations in regard to establishing the annual subscriber line charges and should not be used for any other purpose.

In our opinion, the accompanying projection is presented in conformity with guidelines for presentation of a projection established by the AICPA, and the underlying assumptions provide a reasonable basis for management's projection assuming May, 1999, subscriber line charges are in effect for 2000. However, even if May, 1999, subscriber line charges are in effect for 2000, there will usually be differences between the projected and actual results, because events and circumstances frequently do not occur as expected, and those differences may be material. We have no responsibility to update this report for events and circumstances occurring after the date of this report.

Arthur Andersen LLP

Chicago, Illinois  
March 10, 1999